GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2358
ANSWERED ON:14.03.2008
FIIS FROM THE GULF
Bhargav Shri Girdhari Lal

Will the Minister of FINANCE be pleased to state:

(a) whether there has been a spurt in the Indian stock markets from Foreign Institutional Investors (FIIs) based in Gulf countries;

(b) whether they have any bearing on stability of stock market; and

(c) if so, the reaction of the Government thereto?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a) Yes, Sir. There has been an increase in the number of FIIs/sub-accounts based in Gulf countries, viz. Kuwait, Oman, United Arab Emirates, Saudi Arabia and Qatar, engaged in the Indian stock markets and their net investments over the period 2005 to 2007.

(b) and (c): The stock market is dynamic in nature and the market movement is influenced by demand and supply interplays as well as a host of other factors.The movement in stock market indices is a function of perception of the economy or a sector or of index stocks. It also depends on economic factors, domestic and international events, market sentiments, level of floating stock available, corporate performance and future economic growth. The stock market capitalizes the present and future values of growth opportunities while evaluating the growth of all sectors in economy. The FIIs, cannot, therefore, be said to have any bearing on stability of the stock market.